



# FISCAL YEAR 2008 ANNUAL REPORT



GEORGIA STATE FINANCING  
AND INVESTMENT COMMISSION



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*Site foundation work at the Allied Health Building at Okefenokee Technical College in Waycross.*

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## COMMISSION MEMBERS

### **GOVERNOR SONNY PERDUE**

Chairman

### **CASEY CAGLE**

Lt. Governor

Vice-chairman

### **RUSSELL W. HINTON**

State Auditor

Secretary and Treasurer

### **GLENN RICHARDSON**

Speaker of the House of Representatives

### **THURBERT E. BAKER**

Attorney General

### **TOMMY T. IRVIN**

Commissioner, Department of Agriculture

### **W. DANIEL EBERSOLE**

Director, Office of Treasury and Fiscal Services

### **STEVE STANCIL**

Director, Construction Division

Executive Secretary

### **SUSAN H. RIDLEY**

Director, Finance and Investment Division

## INTRODUCTION

The Georgia State Financing and Investment Commission, created by Constitutional Amendment in 1972, is responsible for the proper application of proceeds from general obligation debt and the issuance of all public debt by the State. No agency or authority can incur debt or employ other financial or investment advisory counsel, without Commission approval. The Commission consists of the Financing and Investment Division and the Construction Division.

The Financing and Investment Division is responsible for the issuance of general obligation bonds, the review of state authority debt financing, and the investment and accounting of all general obligation bond proceeds. Investment earnings support the operations of the Commission and enable the Division to retire state debt prior to maturity. The Division also prepares the State's Debt Management Plan and monitors agencies' expenditures of bond proceeds for compliance with federal tax regulations. In 2006, the legislature created the Georgia Higher Education Facilities Authority

(GHEFA). GHEFA is administratively attached to GSFIC and staffed by the Finance Division.

The Construction Division provides all the support services for the Commission and is responsible for disbursing bond proceeds and for managing capital outlay projects funded, all or in part, with bond proceeds.

The Construction Division provides the following services for State Agencies:

- ADA Compliance Assistance
- Procurement Services
- Construction Services

## MISSION & CORE VALUES

The Georgia State Financing and Investment Commission core value is dedicated to continuous quality improvement in all of its activities. To that end, the Georgia State Financing and Investment Commission staff has adopted the following:

### MISSION

Building Georgia's future through excellence in financial and construction management services.

### CORE VALUES

- Stewardship
- Excellence
- Leadership
- Fairness

## YEAR-IN-REVIEW

Activities of the Georgia State Financing and Investment Commission during Fiscal Year 2008 focused on providing services to state agencies and improving internal processes which contribute to Governor Perdue's goal of becoming the best managed state. Customer survey results, key performance indicators and our strategic plan guided these efforts.

Core functions of GSFIC include the issuance and management of state general obligation and state authority debt and providing construction management services for capital improvement projects. The Commission approved four competitive general obligation bond sales totaling \$941 million during Fiscal Year 2008. Nearly \$850 million in revenue bonds were approved by GSFIC and issued by state authorities. The Construction Division oversaw disbursement of bond funds for 374 projects and directly managed 154 capital improvement projects. Forty-six new construction contracts were awarded while 17 major projects were completed and new facilities were turned over to using agencies.

For the fifteenth straight year, Georgia has earned AAA ratings on its general obligation debt from Moody's, Standard and Poor's and Fitch. As one of only seven "natural triple-triples", the state commands very competitive prices and low overall borrowing costs. The State's debt management plan, developed and executed by GSFIC, is a critical component of demonstrating Georgia's conservative fiscal management to the investment community.

To facilitate the timely expenditure of bond proceeds, GSFIC initiated an accounting practice termed "compliance exchange." The exchange allows agency bond proceeds older than five years, which are deemed non-compliant under federal arbitrage guidelines, to be utilized for current projects. This exchange exhausts old bond proceeds in order to bring the State into compliance with the federal tax code.

Another major milestone for GSFIC was the completion of the State Construction Manual. The manual, a joint effort by GSFIC and the Board of Regents, provides best practices for planning, designing, building, delivering, and receiving facilities for use by Georgia state entities. The manual is intended to be a guide to assist state

agencies and their users, along with design professionals, special consultants, and construction professionals, with the processes and procedures for completing capital projects for the State of Georgia. The manual debuted on its website, [www.scm.georgia.gov](http://www.scm.georgia.gov), in FY2008 and printed versions will be available in early Fiscal Year 2009.

*For the fifteenth straight year, Georgia has earned AAA ratings on its general obligation debt from Moody's, Standard and Poor's and Fitch.*

Additionally, the ADA Coordinator's Office developed and published the Statewide Facilities Accessibility Guide, which educates stakeholders on accessibility-related requirements and best practices when designing or constructing facilities for the State of Georgia.

Another objective met in FY2008 was moving to a real time reporting version for Construction Compstat, a step required to ensure we reach our goal of exceeding customer expectations. In addition to the citizens of Georgia, our stakeholders include the tenant and client agencies for whom projects are being built, as well as general contractors, subcontractors, architects, and engineers who design and build the projects. Providing real time information to project managers on projects – including reports on the budget, progress and timeline – allows GSFIC see an accurate snap shot of a project's progress.

## CUSTOMER SERVICE

Exceeding customer expectations remains a top priority for the Georgia State Financing and Investment Commission. In Fiscal Year 2008, GSFIC incorporated the governor's customer service initiatives into the recruiting and orientation process. Customer service-related questions were added to all pre-employment interviews and new hires received training on the goals of the Office of Customer Service: Georgia will be recognized as the best managed state; Georgia will have the best customer service of any state in the nation; and, Georgia state government will be known as a great place to work.

GSFIC remained focused on providing customer service that is faster, friendlier and easier. Scheduled construction update meetings with primary customers were instituted in Fiscal Year 2008 to ensure efficient project management and to illustrate the construction services division's dedication to being 'helpful, courteous, responsive and knowledgeable,' the four principals of superior customer service.

Engaging employees in the philosophy of customer service and the spirit of teamwork continue to be the key to success at GSFIC. The customer service team, working in coordination with human resources, rolled out the "Art of Exceptional Customer Service," an educational program designed by the state's Office of Customer Ser-

vice. Additionally, several special projects and events were designed to build team spirit, including clothing and toy drives and participation in the American Cancer Society's breast cancer campaign.

Additionally, the State Property Officer recognized all GSFIC employees at a special Employee Appreciation Day, including two employees earning special commendation from Governor Sonny Perdue.

Special initiatives planned for Fiscal Year 2009 include launching a workplace satisfaction and employee survey in coordination with Georgia State University and providing community outreach and volunteer opportunities for staff.



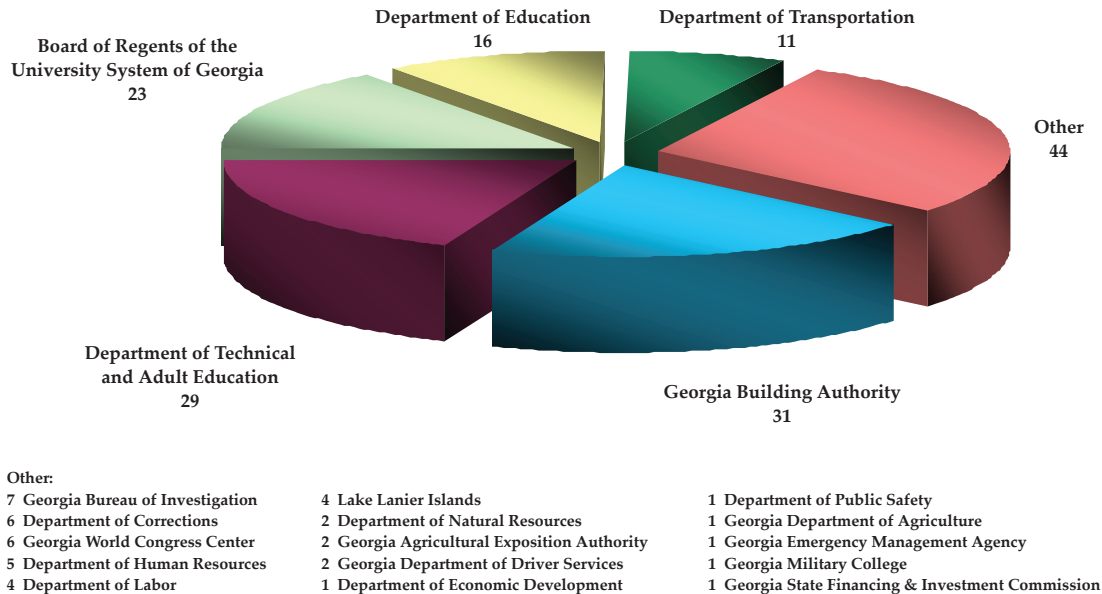
*Internal training is an important element of customer service.*

## PROJECT OVERVIEW

DELIVERY METHOD	No. PROJECTS	DESIGN CONTRACT	CONSTRUCTION CONTRACT	TOTAL BUDGET
Design-Bid-Build	107	\$18,346,253.00	\$248,762,462.00	\$ 372,619,923.00
CM/GC	35	55,799,016.00	613,557,360.00	1,016,225,124.00
Design-Build	9	7,581,292.00	121,497,940.00	139,283,543.00
Task Order Contract	3	0.00	0.00	74,000.00
<b>All</b>	<b>154</b>	<b>\$81,726,551.00</b>	<b>\$983,817,762.00</b>	<b>\$1,528,202,590.00</b>

PROJECT PHASE	No. PROJECTS
Planning, Programming, Pre-Design	18
Design	51
Construction	46
Close-out	39
<b>Total</b>	<b>154</b>

### GSFIC MANAGED PROJECTS



## GSFIC MANAGED CONSTRUCTION PROJECTS COMPLETED IN FY 2008

The Construction Division of Georgia State Financing and Investment Commission completed 17 projects in Fiscal Year 2008, including a rehabilitation clinic, the training center at the new Kia Motors automotive assembly plant and four Department of Transportation district offices. Construction contracts for these 17 completed projects totaled \$78 million.

PROJECT	DESCRIPTION	SIZE	COST
DTAE-102 DeKalb Technical College Department of Technical and Adult Education*	Design Build delivery method for construction of a new classroom building, multi-purpose building and renovations at the Clarkston campus.	123,652 sq ft	\$21,468,689.61
DTAE-218 Industrial Training Center for Kia Plant Department of Technical and Adult Education	Design Build delivery method for construction of a center to house training programs for a Kia Motors Corporation automotive assembly plant in West Point. The programs are established and administered by DTAE's "Georgia Quickstart" program.	69,500 sq ft	\$14,246,890.31
DHR-109 Waycross Regional Laboratory Department of Human Resources	The Georgia Public Health Laboratory is a low hazard regional state laboratory facility that provides screenings, diagnostic and reference laboratory services to citizens of the State.	23,840 sq ft	\$11,314,227.08
DHR-110 Public Health District Office Department of Human Resources	Construction of a new public health district office building at the campus of Northwestern Regional Hospital in Rome.	26,660 sq ft	\$3,002,146.08
DOL-10 Blanchard Hall at Warm Springs Department of Labor	The facility is located at the Roosevelt Warm Spring Institute for Rehabilitation includes an outpatient therapy clinic, a rehabilitation gym, an orthotics and prosthetics clinic and a wheel-chair shop.	33,500 sq ft	\$7,066,366.50
DOT-43 Cobb County DOT Office Department of Transportation	This project included construction of an office for the Cobb County DOT, including both open and private office space and conference and classrooms. Additionally, a 450-square-foot storage facility was part of the project.	9,200 sq ft	\$1,392,630.50
DOT-44 S. Fulton County DOT Office Department of Transportation	This project included construction of a Fulton County office for the DOT, located in College Park. The facility has office space, a conference room and classrooms.	7,500 sq ft	\$1,251,122.69
DOT-45 Moultrie DOT Office Department of Transportation	This single story building in Moultrie includes both open and private office space. The project included a free-standing 400-square-foot storage facility.	4,600 sq ft	\$750,366.09

## GSFIC MANAGED CONSTRUCTION PROJECTS COMPLETED IN FY 2008

PROJECT	DESCRIPTION	SIZE	COST
DOT- 47 Douglas DOT Department of Transportation	This single story building in Douglas includes both open and private office space. The project included a free-standing 400-square-foot storage facility.	4,600 sq ft	\$752,895.53
J-028A Kennesaw State University Multipurpose Building Board of Regents	This project included construction of a multipurpose building on the campus of Kennesaw State University, including a small auditorium and performance hall and an art gallery lobby.	26,832 sq ft	\$8,161,857.17
SBE-008 Georgia Academy for the Blind Cottages Department of Education	This project included renovations of Cottages #5 and #6 at the Georgia Academy for the Blind in Macon.	7,07 sq ft	\$983,071.76
VSB-126 Veterans Memorial Cemetery Department of Veterans	Located in Glennville, the cemetery sits on 43 acres and includes an administration building, carillon, assembly area and 3,500 in-ground, pre-placed crypts.	10,510 sq ft	\$5,926,928.39
GBA-141A Twin Towers Cafeteria Georgia Building Authority	First of two-phase renovation of the Twin Towers cafeteria, which includes the build-out of Chick-fil-A.	1,816 sq ft	\$962,548.39
GBA-105 Department of Public Safety Georgia Building Authority	The renovation of a building in Blue Ridge on behalf of the Department of Public Safety.	n/a	\$87,222.69
GBA-137 Twin Towers Georgia Building Authority	Correct life-safety issues with kitchen exhaust system in state cafeteria.	n/a	\$134,000.59
GBA-144 Georgia Railroad Freight Depot Georgia Building Authority	Roof repair on the historic freight depot.	n/a	\$168,702.92
DDS-002SC Clarke County Driver's License Office Department of Driver Services	Renovation of the basement and ground levels of the Athens DDS customer service center, including removal of walls, doors and frames and installing new carpet and ceiling tile.	n/a	\$205,498.13

\*Technical College System of Georgia is official name as of July 1, 2008

## NANOTECHNOLOGY RESEARCH CENTER

When the Marcus Nanotechnology Research Center (NRC) opens on the Georgia Tech campus in the fall of 2008, it will be one of the nation's largest cleanroom facilities and the first one designed to provide significant space for research that applies nanoscience and nanotechnology to the emerging field of biotechnology. Nanotechnology is the science of matter at the scale of one-billionth of a meter (nanometer) in order to generate larger structures with superior features.



*Marcus Nanotechnology Research Center on the Georgia Tech Campus.*

Nanotechnology has been used to create water filtration, dental bonding agents, glare-reducing coatings for eyeglasses, stain-free clothing, ink and batteries. The technology is expected to transform lives as the research grows to include new approaches to drug delivery, cancer detection and treatment, DNA damage repair and the detection and analysis of plaque formation for artery and cardiac disease prevention, all of which will be areas of focus at the Georgia Tech lab. Other examples of the technology include creating building materials lighter than steel but 10 times stronger, digital storage devices the size of a sugar cube with the capability of holding the entire contents of the Library of Congress, and flexible digital displays – like a television screen that can be rolled up like a window shade.

The 205,000-square-foot facility will be available to researchers from universities and industries in the region, serving both as a catalyst for research innovation and economic development.

Georgia Tech and the Board of Regents oversaw the design of the NRC with the M+W Zander / Bohlin Cywinski Jackson design team. Design started in March 2005. The Georgia State Financing and Investment Commission is managing the construction of the \$94 million dollar facility, which was funded through a public private partnership, with the state providing \$45 million as a challenge grant to the public. The Marcus Foundation contributed \$20 million toward the project.

Whiting-Turner Contracting Company began construction in April 2006. The facility will be complete in Fiscal Year 2009.

## VETERANS CEMETERY

The Georgia Veterans Memorial Cemetery is situated on 42 acres near Glennville, Ga., just 25 miles west of Fort Stewart. The first-class memorial for the state's veterans and their families cost \$6.9 million and was funded in large part by a grant from the U.S. Department of Veterans Affairs, with the state of Georgia providing \$425,000.

Construction of the project was managed by the Georgia State Financing and Investment Commission, with ground breaking taking place in December, 2006, and the dedication taking place in November of 2007.

Construction of a cemetery is not a traditional construction project, but the GSFIC team worked closely with the Department of Veterans Affairs and the design and construction teams to ensure the facility – Georgia's second state veterans cemetery – will serve as a first-class memorial to the many veterans who served the country in times of war and peace.

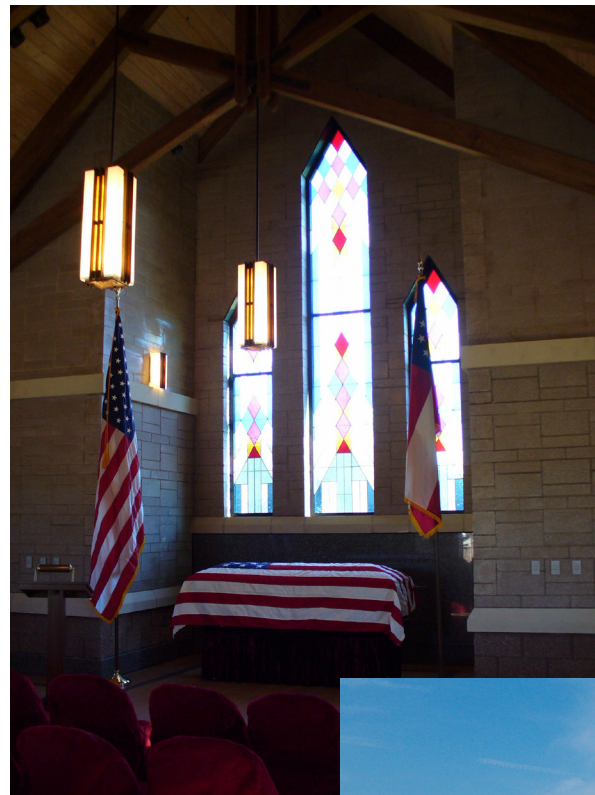
The Georgia Veterans Memorial Cemetery at Glennville contains a pre-placed in-ground interment area, walkways, an administrative building and visitors center, a chapel, a columbarium for interment of cremains, a carillon and a maintenance complex. The cemetery provides for traditional in-ground interments, an in-ground burial location for cremains, a separate area for spreading cremains and a section for memorial markers for veterans whose remains are not available for burial.

Another key feature of the cemetery is the co-location of the Glennville Veterans Services Office at the administrative building. This office assists veterans and their families with applications for veterans' benefits and claims.

Materials were selected based upon local and regional production facilities and manufacturers. These included asphalt, concrete block, wood trusses and framing, timber and wood decking. Landscape materials were locally grown native species and resistant to deer grazing. Carpeting came from Augusta, Ga., and utilized 100 percent recycled backing.

The cemetery is master planned to provide burials for at least 30 years in a multiple-phased development. The initial phase included 26 acres of the 42-acre site.

The cemetery will long serve as a tribute to the veterans of Georgia, and honor their sacrifice and service to the nation.



*Georgia Veterans Memorial Cemetery chapel, left, and entrance.*



## STATE ADA COORDINATOR'S OFFICE

The State ADA Coordinator's Office provides comprehensive educational and technical support for state agencies so that those programs, services and activities operated by the State of Georgia are usable and accessible to the greatest extent feasible. The office serves as a technical resource to state agencies for the Americans with Disabilities Act (ADA); operates the Statewide ADA Facility Improvements Program; conducts general and customized training on ADA topics for state agencies; and increases the visibility of the ADA to help more citizens understand the letter and spirit of the law.

### STATE FACILITIES IMPROVEMENT PROGRAM

This program was established to ensure that state owned facilities meet the ADA's "program access" mandate to provide equal access for persons with disabilities. The Office follows the procedures outlined in the General Obligation Bond Proceeds Expenditure Policy and monitors the bond spend down to track the effectiveness of the ADA policy and procedure, with particular emphasis on the monitoring and reimbursement phase.

The Office works with state agencies to develop budget requests and undertake ADA-related construction projects. These projects concern accessible entrances, primary function areas, restroom alterations, site modifications, automatic doors, curb cuts, ramps, pathway renovation, door modification, and other accessibility elements and features to meet both the letter and spirit of the Americans with Disabilities Act. Separate and independent from this "program access" justification, the recommended structural modifications generally increase the overall usability and access to these facilities for everyone.

During FY 08, the office and its agency partners completed 21 ADA projects at state colleges and universities, Veterans Service facilities, technical colleges, state parks and other state facilities totaling \$5 million.



*Student at accessible fume hood in laboratory.*

### PUBLICATIONS, TRAINING AND OUTREACH

The Office works to proactively address ADA-related issues with state agencies through collaboration, training, and technical support, utilizing the framework outlined in Title II of the ADA and its implementing regulations.

During FY 08, the office completed the following projects and activities:

- Statewide Facilities Accessibilities Guide to educate stakeholders on accessibility-related code requirements and best practices when designing or constructing facilities for State of Georgia government agencies. (Publication date Summer 2008)
- Side by Side Comparison of Existing Federal Accessibility Standards, Georgia Accessibility Code and the Final Rule Proposed New Federal Guidelines. (Summer 2008)
- Accessibility Code Training for State and Local Fire Marshals & Building Code Officials
- Statewide Court Accessibility Project Judicial trainings for Institute on Continuing Judicial Education (ongoing); Sponsorship of Cognitive Disabilities and the Courts conference, Atlanta, Georgia; White Paper on Cognitive Disabilities and the Courts, Opening the Door: Justice for Adult Defendants with Mental Retardation – A Handbook for Attorneys Practicing in Georgia; and, Finding the Path to Equal Justice A Handbook for Adult Defendants with Intellectual Disabilities and Their Families.
- Statewide Emergency Preparedness Guide for first responders assisting individuals with disabilities.

# DEBT ISSUANCE

## GENERAL OBLIGATION BOND ISSUANCES - \$940,810,000

DATE SOLD	SERIES	FINAL MATURITY	TRUE INTEREST COST	ISSUE AMOUNT	LEAD UNDERWRITER
8/7/2007	2007D	8/1/2012	3.7923%	\$ 58,045,000	First Southwest Co
8/7/2007	2007E	8/1/2027	4.4041%	541,745,000	Merrill Lynch
12/4/2007	2007F	12/1/2012	3.2053%	21,230,000	Lehman Brothers
12/4/2007	2007G	12/1/2027	4.1040%	319,790,000	Merrill Lynch



*Lake Lanier.*



*A bustling port in Savannah.*

## AUTHORITY FINANCINGS - \$849,655,000

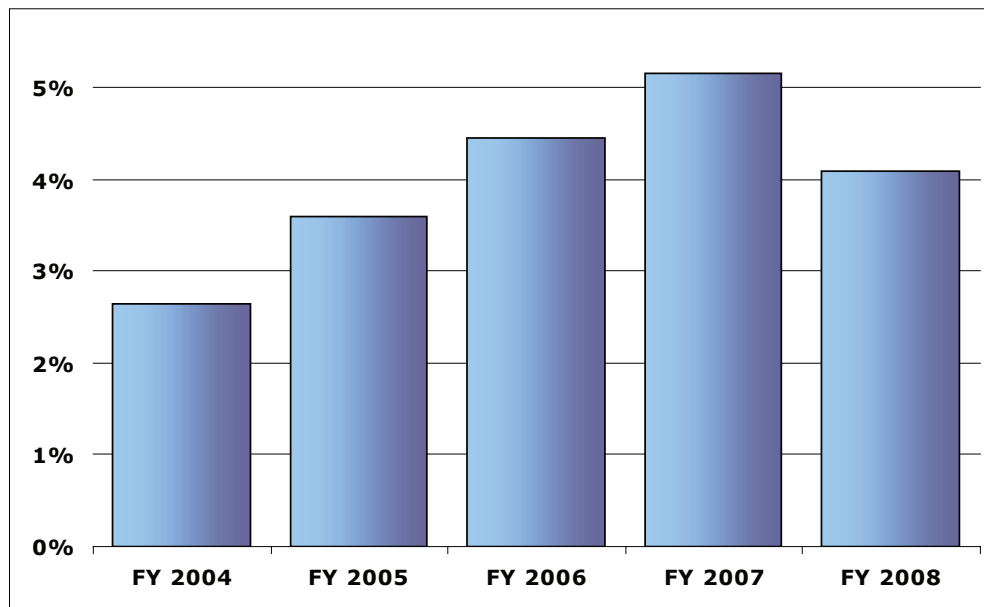
AUTHORITY	AMOUNT	DESCRIPTION
Lake Lanier Island Development Authority	\$ 25,000,000	\$15,000,000 GEFA loan and \$10,000,000 tax-exempt bank qualified loan
State Road and Tollway Authority	600,000,000	GARVEE revenue bonds
Georgia Housing and Finance Authority	120,000,000	Single family mortgage bonds - 2 issues @ \$60,000,000 each. The 2nd issue was \$46,310,000 of new money and \$13,690,000 refunding.
Georgia Ports Authority	104,655,000	\$56,655,000 variable rate demand revenue bonds and \$48,000,000 bank line of credit

## INVESTMENT EARNINGS

Interest earnings during Fiscal Year 2008 were \$76,757,570.15, which is an increase of \$7,624,765.69 over FY 2007. At June 30, 2008, the Commission had the following investments:

INVESTMENT	MATURITIES	FAIR VALUE
Pooled portfolio managed by the Office of Treasury and Fiscal Services	1.42 year weighted average	\$ 1,359,611,428
Repurchase Agreements	July 1, 2008	65,106,000
Total		\$ 1,424,717,428

### CAPITAL PROJECTS FUND INVESTMENT PORTFOLIO



### ANNUALIZED AVERAGE YIELD

The portfolio consists of Fixed Income Securities comprised of Agencies of the US Government and Repurchase Agreements with an average coupon of 4.82%.

## EARLY RETIREMENT OF DEBT

From interest earnings available for the advance retirement of debt, the Financing and Investment Division made 45 separate purchases of State of Georgia General Obligation Bonds in the secondary market with a par value of \$126,515,000. These early retirements of Bonds:

- were purchased at a cost of \$94,670,716.90 (excluding accrued interest) or 74.83 cents per \$1.00,
- reduced the State's outstanding general obligation bond debt by 1.6%,
- will save the State \$165,504,043.75 in future principal and interest appropriations and,
- reduced scheduled debt service in Fiscal Years 2008, 2009, and 2010 by \$12.2 million, \$5.4 million, \$5.8 million, respectively.

GSFIC's early retirement program to-date has saved the State over \$1.5 billion in future debt service appropriations.



*North Avenue Dormitories at Georgia Tech.*

## FY 2008 DEFEASANCE

The Commission on July 31, 2007, defeased \$23,900,000 of outstanding State of Georgia General Obligation Bonds, the proceeds of which had been used to finance all or a portion of the costs of the "North Avenue Apartments," the "Olympic Dorm" complex adjacent to the Georgia Institute of Technology campus. The Commission defeased these bonds in order to preserve the tax-exempt status on the outstanding bonds and to legally relieve the general obligation of the State with respect to the Bonds. This allowed the Board of Regents to enter a lease agreement with Georgia Tech Facilities Inc. to operate the facilities. This property had been used since fall 1996 as student housing for Georgia State University students and now serves Georgia Tech students.

This defeasance of Bonds:

- will save the State \$26,422,301.25 in future principal and interest appropriations and,
- reduced debt service in Fiscal Years 2008, 2009, and 2010 by \$7.64 million, \$7.68 million, and \$7.96 million, respectively.

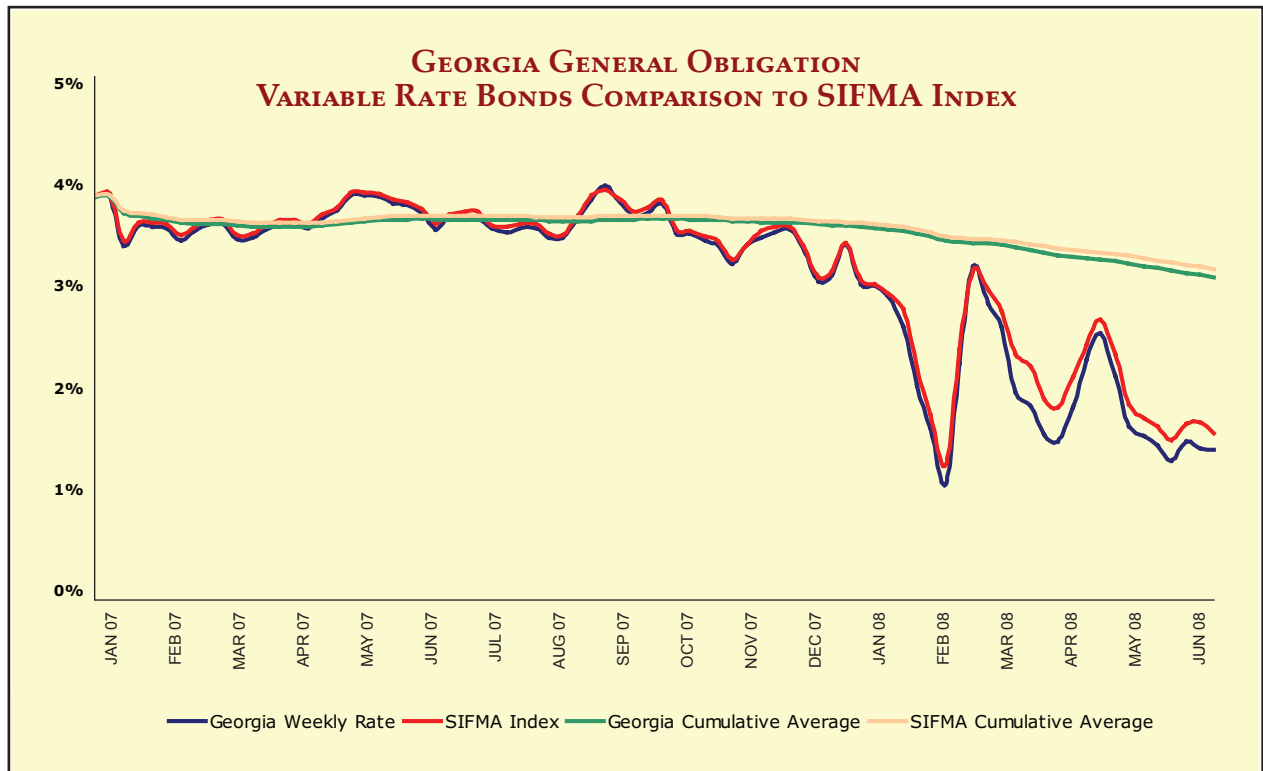
## AUTHORIZED INDEBTEDNESS (1975-2008)

PURPOSE	GENERAL OBLIGATION DEBT AUTHORIZED	GUARANTEED REVENUE DEBT AUTHORIZED	STATE OBLIGATIONS ISSUED	UNISSUED AUTHORIZED INDEBTEDNESS JUNE 30, 2008
Transportation	\$3,799,330,000	\$755,245,000	\$4,478,550,000	\$ 76,025,000
School Construction	4,587,090,000		4,087,860,000	499,230,000
University Facilities	3,427,988,000		3,427,988,000	
World Congress Center	619,330,000		619,330,000	
Human Resources Facilities	300,340,000		300,340,000	
Port Facilities	596,425,000		595,635,000	790,000
Correctional Facilities	799,440,000		799,440,000	
Public Safety Facilities	66,745,000		66,745,000	
Georgia Bureau of Investigation	80,575,000		80,575,000	
Georgia Department of Revenue	18,325,000		18,325,000	
Department of Labor	53,810,000		53,810,000	
Department of Natural Resources	543,405,000		533,475,000	9,930,000
Technical & Adult Education	996,057,000		996,057,000	
Environmental Facilities Auth.	431,000,000	97,470,000	528,470,000	
Dept. of Administrative Services	57,605,000		57,605,000	
Department of Agriculture	32,530,000		32,530,000	
Georgia Building Authority	499,740,000		499,740,000	
Stone Mountain Memorial Assn.	48,400,000		48,400,000	
Department of Veterans Services	12,345,000		11,295,000	1,050,000
Jekyll Island State Park Authority	28,190,000		28,190,000	
Secretary of State	55,050,000		55,050,000	
Department of Defense	19,610,000		14,825,000	4,785,000
Department of Comm Affairs	8,200,000		8,200,000	
Economic Development	151,265,000		151,265,000	
Ga. Emergency Mgmt. Agency	200,000		200,000	
Soil & Water Conservation	3,840,000		3,840,000	
Department of Juvenile Justice	236,335,000		236,335,000	
Georgia Golf Hall of Fame	6,000,000		6,000,000	
Georgia Forestry Commission	17,235,000		17,235,000	
Georgia Agri. Exposition Auth.	14,055,000		14,055,000	
Other	31,600,000		31,600,000	
<b>Subtotal</b>	<b>\$17,542,060,000</b>	<b>\$852,715,000</b>	<b>\$17,802,965,000</b>	<b>\$591,810,000</b>
Net effect of Refunding	136,460,000	6,925,000	143,385,000	
<b>Grand Total</b>	<b>\$17,678,520,000</b>	<b>\$859,640,000</b>	<b>\$17,946,350,000</b>	<b>\$591,810,000</b>

## VARIABLE RATE BOND PERFORMANCE

During FY 2008, the State of Georgia's variable rate for the \$300 million 2006H bond issues outperformed the industry standard Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index. The effective rate for the year was approximately 2.89% (average interest rate of 2.78% with ongoing fees of approximately 0.11%). In comparison to the estimated fixed rate of 4.14% at which the bonds could have been issued, the total interest savings for Fiscal Year 2008 exceeded \$4 million.

The following chart illustrates the comparison of Georgia's weekly rates on the 2006H bonds to the SIFMA index over a period of 19 months from the date of issuance through Fiscal Year 2008.



## EXPENDITURE OF BOND PROCEEDS

Federal arbitrage regulations require that the State spend down bond proceeds in accordance with two key milestones:

- Five percent within six months of issuance; and
- Eighty-five percent within three years of issuance.

These regulations are in place to help ensure that tax-exempt issuers do not enjoy greater investment earnings from cash balances than the interest paid to bondholders.

In order to ensure overall compliance for each bond series, GSFIC's General Obligation Bond Proceeds Expenditure Policy applies these expenditure requirements to individual projects. In addition, GSFIC requires that bond proceeds be exhausted within five years.

The Financing and Investment Division, in coordination with the Construction Division and state agencies and authorities, has procedures in place to monitor that these benchmarks are met at the series level.

While all bond series were in compliance with the federal expenditure milestones, many individual projects failed to meet the 6 month, 3 year and 5 year milestones.

Both divisions are working with the respective agencies to spend down these remaining balances or return the proceeds for the purposes of retiring debt.

### SUMMARY OF AGENCY SPEND DOWN COMPLIANCE

	NUMBER OF AGENCIES	NUMBER OF PROJECTS	AMOUNT OF BOND PROCEEDS REMAINING
Agency bond proceeds remaining after 5 years	6	13	\$ 14,429,327
15% or more of bond proceeds remaining after 3 years	7	23	\$ 12,885,264
95% or more of bond proceeds remaining after 6 months	<u>15</u>	<u>116</u>	<u>\$ 690,865,662</u>
Total not in compliance with expenditure milestones	16	152	\$ 718,180,253
<b>Total number in compliance with all milestones</b>	<b>9</b>	<b>1321</b>	<b>\$6,989,150,000</b>



*Lakeside view of the Henderson Library at Georgia Southern University.*

## GSFIC GENERAL FUND BUDGET COMPARISON

	BUDGET (FY 2008 FINAL)	EXPENDITURES (FY 2008)	BUDGET (FY 2009 AOB)
<b>Revenues</b>			
Investment Earnings	\$21,337,708	\$13,596,558	\$18,885,016
<b>Expenditures</b>			
Personal Services	\$11,840,991	\$9,611,436	\$12,249,752
Regular Operating Expense	\$2,133,204	\$1,028,125	\$1,339,644
Equipment	\$125,000	\$65,797	\$115,845
Computer Charges	\$295,975	\$159,313	\$315,000
Real Estate Rental	\$993,617	\$993,616	\$1,061,775
Telecommunications	\$292,256	\$155,524	\$230,600
Contracts & Per Diem	\$5,656,665	\$1,582,747	\$3,572,400
<b>Total</b>	<b>\$21,337,708</b>	<b>\$13,596,558</b>	<b>\$18,885,016</b>



*Georgia State Capitol.*

## STRATEGIC INITIATIVES

The Georgia State Financing and Investment Commission is dedicated to hiring and retaining the most qualified employees. The Commission will develop a two-part strategy to reach this strategic goal in Fiscal Year 2009. The first step is to identify and group positions together to support growth and superior job performance. Merit increases will be supported at prescribed levels and time periods to preserve staffing experience and reward performance. These career groups will be developed for all functions within GSFIC so current and future employees, along with management, can see career development opportunities and patterns.

The second phase of this strategy is to develop a training curriculum that ensures continued growth in specific job functions. The training will be specifically geared to enhancing staff knowledge when working in coordination with architects, engineers, contractors, lawyers, accountants and suppliers. The goal of hiring the most qualified person, then providing a future that allows for growth and exceptional training, supports our goal of becoming a best-managed state agency.

Additional strategies for GSFIC include the digital imaging of all working documents. GSFIC houses thousands of files related to design plans, project details, contracts, accounts payable and human resources, as well as bond sale information. Identifying and selecting a solid digital solution for long-term documentation will provide a faster, friendlier response to questions, assist with disaster recovery situations and provide enhanced space management in file areas.

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The Information Technology section will work to develop a dashboard reporting system for projects in the construction division. This reporting system will quickly identify milestones to ensure the project is tracking in alignment with goals. Completing projects on time and within budget is critical to GSFIC as well as the end users.

IT will also work with Finance and Investment to develop a web-based system to track and report on bond and debt service. The system will be available to agencies to access bond and project status and spend down milestones. The system will support the State Accounting Office for audit reporting purposes and the Office of Planning and Budget for analyzing agency general obligation activity.

These strategies directly align with the governor's goal of becoming the best-managed state in the nation.



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